



STATE OF MICHIGAN

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DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

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ENROLLED BILL ANALYSIS

BILL NUMBER: House Bill 5087 (As enacted)

TOPIC: This bill amends the Michigan Liquor Control Code of 1998 (Code) to remove the barrel production limit for a brewer to sell its beer for on premises consumption at one brewery licensed location.

SPONSOR: Representative O'Brien

CO-SPONSORS: None

COMMITTEE: House Regulatory Reform Committee

DATE INTRODUCED: October 11, 2011

DATE ENROLLED: December 15, 2011

DATE OF ANALYSIS: December 21, 2011

ADMINISTRATION POSITION

The Department is neutral on this legislation.

PROBLEM/BACKGROUND

The Code regulates the production and sale of beer in Michigan. There are three types of beer manufacturing licenses issued by the Michigan Liquor Control Commission (MLCC). A brewer is a person located in Michigan that is licensed to manufacture and sell its beer to licensed wholesalers. A micro brewer is a brewer that produces less than 30,000 barrels of beer per year and may sell the beer it produces at the brewery premises for consumption on or off the licensed premises as well as to wholesalers. A brewpub is a license issued in conjunction with an on premises license (Class C, Tavern, Class A Hotel, and Class B Hotel) and allows a person to manufacture and brew not more than 5,000 barrels of beer per calendar year in Michigan and sell the beer it produces at the brewery premises for consumption on or off the licensed premises. Brewpub licensees may not sell the beer they manufacture to wholesalers or retailers.

To continue to encourage small businesses, the Code was modified in 2000 to allow brewers with an annual production level of 200,000 barrels or less of beer, that are not licensed as micro brewers, to sell their products for on premises consumption at one location in Michigan that was on any of its licensed brewery premises. This was done as many micro brewers have bars or restaurants attached to the brewery premises where their product is sold for on and off premises consumption. If a micro brewer produces more than 30,000 barrels of beer per year, it would be required to obtain a brewers license and could no longer sell its beer for consumption on or off the licensed brewery premises.

LARA is an equal opportunity employer/program.

Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

There is one licensed brewer in Michigan, namely Bell's Brewery, Inc. (Bell's). If Bell's reaches an annual production level of more than 200,000 barrels, it will no longer qualify to sell its beer to consumers for consumption on the brewery licensed premises. This would significantly harm this Michigan business at a time where economic development and job creation is critical.

DESCRIPTION OF BILL

This bill modifies the following sections of the Code:

- Section 411 removes the barrel production limit and allows a brewer that is not licensed as a micro brewer to sell its beer for on-premises consumption at one licensed brewery premises.
- Section 537, which lists the classes of vendors permitted to sell alcoholic liquor at retail, removes the barrel production limit in subsection (1)(k) and allows brewers and micro brewers to sell beer produced by them for consumption on or off the licensed brewery premises.
- Section 603, which prohibits certain interests in specified vendors, removes the barrel production limit for brewers in subsection (14) and does not prohibit a brewer from having an on-site restaurant.

SUMMARY OF ARGUMENTS

Pro

Allowing brewers to sell the beer it manufactures on the licensed brewery premises for on-premises consumption provides an important incentive for expansion of this type of business in Michigan which would provide much needed economic development and jobs.

This bill may also encourage brewers in other states to establish a presence in Michigan as they would be able to sell their beers for consumption on or off the licensed brewery premises which would create additional economic development and jobs.

Con

At this time no parties have brought forward any compelling arguments against this bill.

FISCAL/ECONOMIC IMPACT

This bill would have no fiscal impact on the department, state, or local government.

OTHER STATE DEPARTMENTS

None

ANY OTHER PERTINENT INFORMATION

It should be noted that Section 411 was modified to remove the barrel production limit from this provision which allows a brewer that is not licensed as a micro brewer to sell its beer for on-premises consumption at one licensed brewery premises. Sections 537 and 603 were also modified to remove the barrel production limit; however, there is no reference to on premises consumption at only one licensed brewery premises or, in the alternative, any reference to the provisions of Section 411 in Sections 537 or 603.

ADMINISTRATIVE RULES IMPACT

No impact on administrative rules.